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# **Community Development Block Grant Program**

## **Program Income and Revolving Loan Fund Manual**



**Montana Department of Commerce  
2005 Edition**

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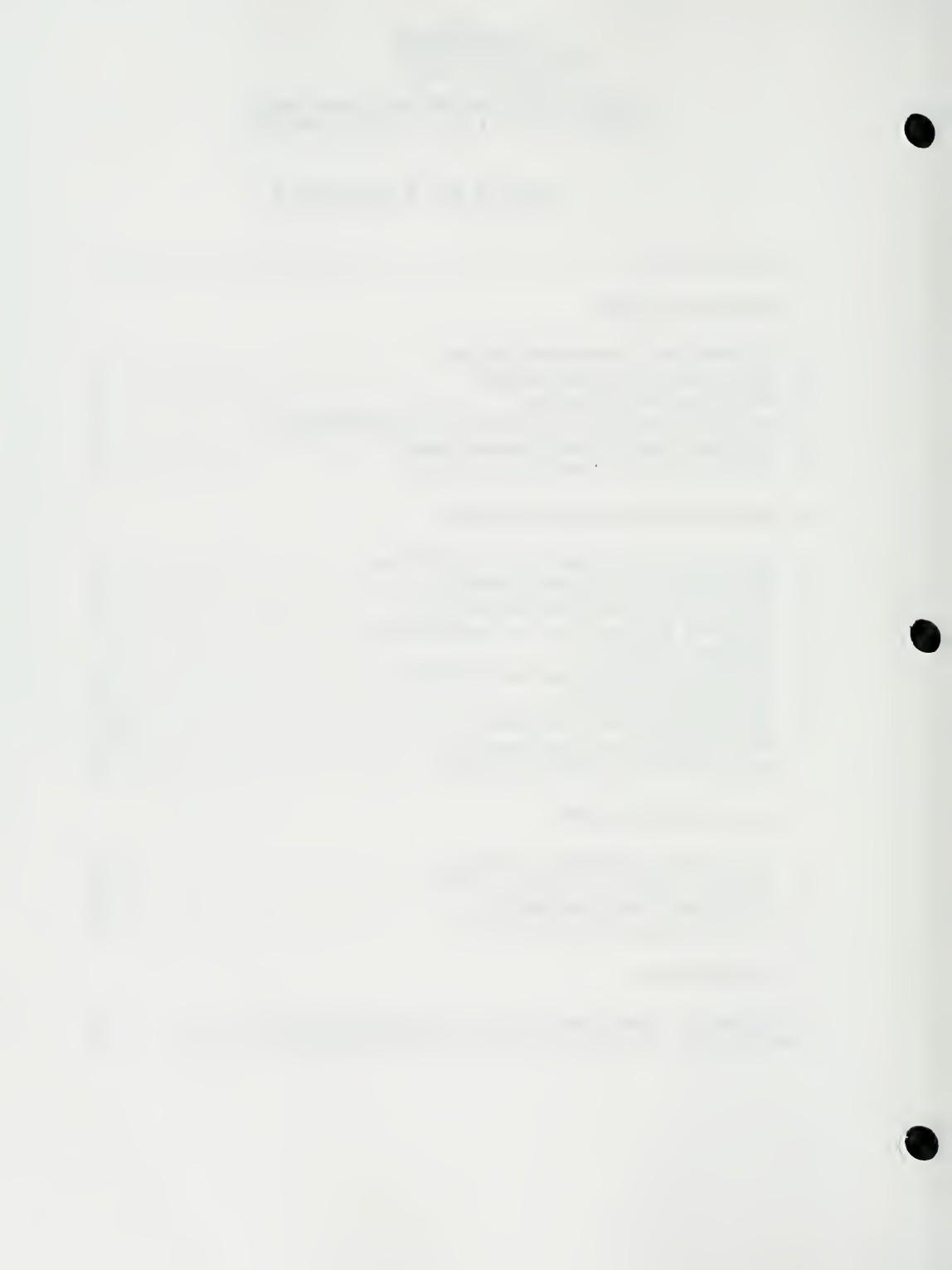


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**CDBG PROGRAM INCOME AND  
REVOLVING LOAN FUND MANUAL**

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# **CDBG PROGRAM INCOME AND REVOLVING LOAN FUND MANUAL**

## **INTRODUCTION**

This manual has been prepared to assist local governments who manage Community Development Block Grant (CDBG) Revolving Loan Funds (RLF's) in maximizing the long-term benefits of their CDBG/RLF funds. The manual is intended to serve each local government grantee as an instructional guide and provide the Montana Department of Commerce (MDOC) with a means for tracking program income activities operated out of independent, local revolving loan funds.

The U.S. Department of Housing and Urban Development (HUD) requires the MDOC to ensure that CDBG program income is used to meet a national CDBG objective of benefit to low and moderate income persons and, where applicable, comply with the requirements of Title 1 of the Community Development Act of 1974. In turn, the MDOC requires that grantees permitted to retain program income meet these same requirements.

The everyday use of this manual will help a grantee meet these federal and State requirements and ensure that administration of the funds will not be called into question. While there is little authoritative literature on how to administer a revolving loan program within a revolving loan fund, this manual will be a useful introduction to Local Revolving Loan Fund Administration.



## I. PROGRAM INCOME

### A. DEFINITION OF PROGRAM INCOME

"Program Income" is any income earned by a grantee from CDBG-supported activities such as repayments of principal and interest to a local revolving loan program for housing rehabilitation or economic development. These funds are often received after a project has been completed and closed out and may be retained at the local level, if authorized by the MDOC, to be used for community development activities eligible under the CDBG program. When program income is generated by an activity that is only partially assisted with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used.

Program income **includes**, but is not limited to, the following:

1. Proceeds from the disposition of sale or long-term lease of real property purchased or improved with CDBG funds;
2. Proceeds from the disposition of equipment purchased with CDBG funds;
3. Gross income from the use or rental of real or personal property acquired by a grantee with CDBG funds, less the costs incidental to the generation of the income;
4. Gross income from the use or rental of real property owned by a grantee that was constructed or improved with CDBG funds, less the costs incidental to the generation of the income;
5. Payments of principal and interest on loans made using CDBG funds (the primary source of program income);
6. Proceeds from the sale of loans made with CDBG funds;
7. Proceeds from the sale of obligations secured by loans made with CDBG funds;
8. Interest earned on funds held in a revolving loan account;
9. Interest earned on program income pending disposition of the income;
10. Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where they are used to recover all or part of the CDBG portion of the public improvements; and
11. Gross income paid to a grantee from the ownership interest in a for-profit entity acquired in return for CDBG assistance.

Program income does **not include**, but is not limited to, the following:

1. Interest earned on grant advances from the U.S. Treasury. Any interest earned on grant advances is required to be returned to the U.S. Treasury;
2. Proceeds from fund-raising activities carried out by sub-recipients that are receiving CDBG assistance to implement eligible activities;
3. Funds collected through special assessments that have been made to recover the non-CDBG portion of a public improvement;
4. Proceeds from the disposition by the grantee of real property that has been acquired or improved with CDBG funds when the disposition occurs after grant closeout for entitlement grantees;
5. Proceeds from the disposition of real property that has been acquired or improved with CDBG funds, where the disposition occurs within a five-year period after expiration of the agreement between the grantee and sub-recipient.
6. Proceeds from CDBG economic development loans that are used for economic development activities through a community development organization are not considered program income.

#### **B. RETAINING PROGRAM INCOME**

Under the federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except when the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retention of program income by a local government will be based upon the MDOC determination of the adequacy of the proposed plan to expend program income in a administrative manner which coincides with HUD and CDBG requirements, while meeting the community needs of the local government.

It is pertinent that the local government demonstrate that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development or housing purposes, or a program income plan for other eligible community development activities with the approval of the Department.

#### **C. PROGRAM INCOME PLAN**

An applicant requesting to retain program income must submit a plan for the ongoing use and financial administration of any program income, which is submitted at the time of project closeout for housing projects. For economic development projects, the Program

Income Plan, (or Revolving Loan Fund), must be submitted before loan repayments are made. The MDOC's decision to permit a grantee to retain such program income will be based on the adequacy of the proposed program income plan submitted.

The proposed program income plan must provide a description of the following information:

1. Describe how the proposed use of program income will serve to address identified community development needs in a timely manner.
2. Describe how program income-generated activities will be conducted in accordance with this plan, how they will assist low and moderate income (LMI) persons, and be in compliance with requirements of Title I and other Federal and State regulations, when applicable.
3. Describe the primary elements that will make-up the revolving loan program, including:
  - a. Goals and objectives,
  - b. Eligibility requirements,
  - c. Loan review, selection and approval process,
  - d. How the loans will be secured and serviced.
4. Explain how revolving loan fund(s) will be utilized.
5. Describe the related accounting and reporting procedures which to be used when reporting on program income and revolving loan activity.

The grantee must demonstrate that it has the ability to efficiently establish and manage a revolving loan fund. The grantee must also demonstrate its willingness to commit the necessary resources for management of program income received from CDBG financed loans and other CDBG program income.

If the MDOC determines that the proposed program income plan has an inadequate level of support and time frame commitment, the MDOC will recover the program income and commit it to other CDBG eligible activities.

#### **D. PROGRAM INCOME CONTRACTUAL REQUIREMENTS**

When MDOC determines that program income is to be retained by a grantee, the grantee should specify in their agreement with MDOC that all activities undertaken with such income will follow the provisions of the written agreement.

Specific requirements are:

1. Include a statement that the financial accounting system will comply with federal and/or State guidelines.
2. Provide assurance that all unexpended funds and collectible accounts will be returned to the MDOC in the event they find evidence of fraud, waste, mismanagement, and/or substantial non-compliance with the program income plan.
3. Include evidence that the governing body has approved the program income plan in a manner that will legally bind the community to follow its guidelines.
4. Specific requirements may be inserted that relate to the project based on the application, other open or closed CDBG projects, current MDOC policy, and the purpose of the revolving loan funds.

## **E. DISTRIBUTION OF PROGRAM INCOME**

### **1. DISTRIBUTION OF PROGRAM INCOME BEFORE PROJECT CLOSEOUT**

All program income received prior to a CDBG project closeout must be returned to the corresponding open project fund as additional funding, and used for the same activities, before a grantee can request an additional drawdown of funds from the project account. The program income will be accounted for and reported on as an integral part of the financial transactions of the CDBG project.

### **2. DISTRIBUTION OF PROGRAM INCOME AFTER PROJECT CLOSEOUT**

If there are no other open CDBG projects, all program income received after closeout of a project must be distributed to an appropriate revolving loan fund or program income account, subject to approval of a grantee's program income plan, and used to support CDBG eligible activities. It may also be used for related revolving loan fund administrative costs, but may not exceed 15% of the total program income received during any fiscal year for housing plans, and 18% for economic development plans. The program income activity will be accounted for and reported on as a part of the financial transactions of the respective revolving loan fund.

MDOC has developed the following policies for expenditure of program income after closeout, which will meet the federal national objective of benefit to low and moderate-income persons and allow local governments some flexibility with their program income. This is described in more detail under "Eligible Uses of Program Income."

## F. ELIGIBLE USES OF PROGRAM INCOME

1. After Project Closeout -- For the years of 1992 and prior:
  - If the grantee does not have an on-going grant that was received directly from MDOC at the time of closeout, the MDOC encourages the use of program income for CDBG eligible activities that assist a minimum of 51% low and moderate-income persons.
  - Program income should be expended on activities as specified in the local government's program income plan and/or closeout agreement.
2. Before Project Closeout -- For the years of 1993 and later (*this applies only to program income managed by local governments*):
  - Program income received by a grantee before closeout must be used in accordance with the provisions of Title I. As such, all the regulations and requirements that applied during the term of the project will apply to the program income received before closeout. For the most part, this means that program income must be used for eligible CDBG activities, and that a minimum of 51% of the funds must be used for activities that are clearly designated to meet identified needs of persons of low and moderate income.
3. After Project Closeout -- For the years of 1993 and Later (*this applies only to program income managed by local governments*):

MDOC has developed the following policies for expenditure of program income after close-out which will meet the federal national objective of benefiting low and moderate income persons (LMI) and allow local governments some flexibility with their program income:

- As program income is received, the following applies: For CDBG housing and public facilities activities: a maximum of 15% would be allocated to an administration fund and a minimum of 85% allocated to an activity fund for each state fiscal year;

For CDBG economic development activities: a maximum of 18% would be allocated to an administration fund and a minimum of 82% allocated to an activity fund for each state fiscal year.

- After subtracting administrative costs, the remaining CDBG activity funds must be used on CDBG eligible activities that principally benefit low and moderate-income persons (at least 51%). In addition, all program income received by a grantee after closeout must continue to be used in accordance with the provisions of Title I (Davis Bacon wage rates, environmental review, etc). As such, all regulations and requirements that applied during the term of the project will apply to the program income received after closeout.

An important exception is that federal Title I requirements do not apply to funds which are less than \$25,000 received and retained in a single year by a grantee. A grantee may use this amount for any eligible CDBG activity that benefits at least 51% low and moderate-income persons. The first annual period for which it may be applied begins with fiscal year 1994, beginning July 1, 1993.

4. For CDBG economic development payments made to a qualified non-profit:

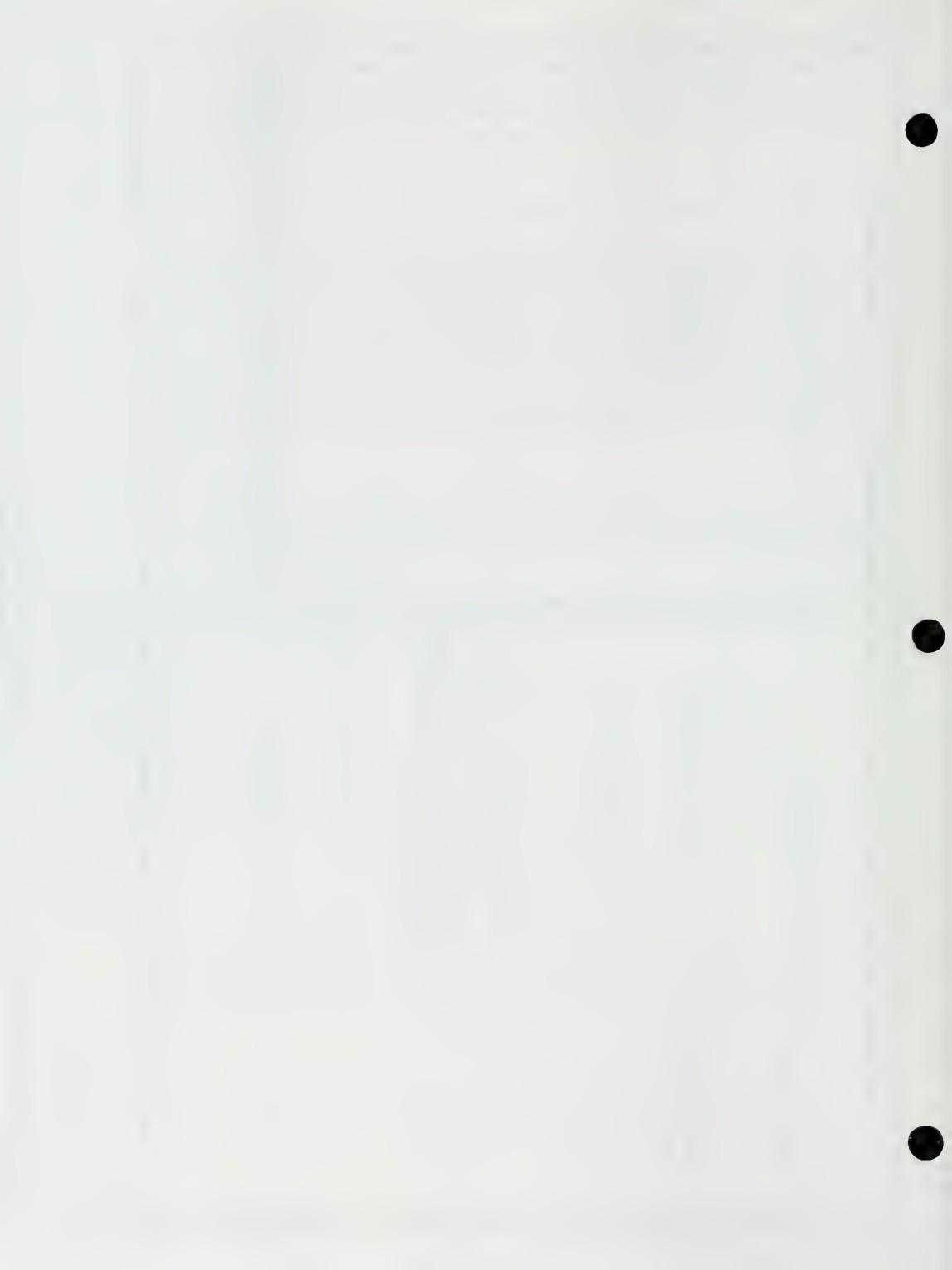
Payments made to a community development organization that uses the funds for continued economic development activities do not have to meet any Federal requirements. However, the local government can still establish requirements for re-use of the funds, and require some CDBG requirements to be followed through grant agreements between the local government and the community development organization. A revolving loan fund plan must be executed that is agreeable to the local government. The local government must also execute a sub-recipient agreement with the community development organization for management of the revolving loan fund.

The Department encourages community development organizations to continue to use loan proceeds for CDBG eligible activities that benefit 51% low and moderate-income persons, and to follow activities specified in the revolving loan fund plan.

REFER TO CHART ON FOLLOWING PAGE FOR A DIAGRAM THAT WILL HELP TO REFLECT PROGRAM INCOME GUIDELINES

## PROGRAM INCOME GUIDELINES FOR PROGRAM INCOME MANAGED BY LOCAL GOVERNMENTS

PROJECTS FUNDED FY 92 AND PRIOR		PROJECTS FUNDED IN FY 93 & LATER YEARS	
BEFORE CLOSEOUT	AFTER CLOSEOUT	BEFORE CLOSEOUT AND AFTER CLOSEOUT	
Title I Program Income must be used for CDBG eligible activities & benefits 51% LMI	<p>↓</p> <p>Use Program Income Plan in place before Closeout (Using these specs)</p> <p>OR</p> <p>See 'Projects Funded in FY 1993 and Later Years'</p> <p>↓</p>	<p>↓</p> <p>85% Activity (Housing) 15% Admin. Limit (ED) 82% Activity (ED) 18% Admin. (ED)</p> <p>Program Income</p> <p>↓</p>	<p>85% Activity (Housing), 15% Admin. Limit (Housing) 82% Activity (ED), 18% Admin. Limit (ED)</p> <p>* MDOC recommends that as each income payment is received, no more than 15% (Housing) or 18% (ED) be transferred to the admin fund, and the difference transferred to the activity fund.</p> <p>↓</p> <p>51% LMI Benefit; CDBG Eligible</p> <p>Title I</p> <p>↓</p> <p>51% LMI Benefit CDBG Eligible</p>
			<p>NOTE: Under HUD regulations, Grantees who receive an aggregate amount of less than \$25,000 within a year do not have to comply with Title I requirements. However, this income must still meet 51% LMI Benefit &amp; be CDBG eligible. This regulation may be applied beginning July 1, 1993 (FY 94).</p>



## **II. REVOLVING LOAN FUND PROGRAM**

### **A. REQUIRED REVOLVING LOAN FUND PLAN**

The making of real property and business loans by a grantee parallels in importance the function of a financial institution, such as a bank or savings and loan association. Consequently, the MDOC will require a grantee that operates a Revolving Loan Fund (RLF) program to develop a written plan for the administration of its program. This plan will become an integral part of the overall program income plan, referred to on Page 32, PROGRAM INCOME PLAN.

### **B. REVOLVING LOAN FUND PURPOSE**

A revolving loan fund is a separate fund, with a set of accounts independent of other CDBG project accounts, established to carry out eligible housing and/or economic development activities which, in turn generate program income to the fund. Theoretically, it is a fund from which moneys are continuously expended, replenished and again expended. An RLF is the administrative umbrella for the reuse of program income in the making of low interest community loans.

The MDOC will require a grantee to establish the appropriate revolving loan funds, subject to approval of the grantee's Program Income Plan, to continue eligible CDBG activities that are funded with program income of closed-out projects.

A revolving loan fund may not be funded or capitalized with grant funds. However, it may be recapitalized, at the discretion of the governing body, with borrowings from commercial financial institutions or others.

### **C. REVOLVING LOAN FUND GUIDELINES**

To assist a grantee in this undertaking, the MDOC has developed a general set of guides that address the primary elements, which generally make up a revolving loan program plan.

These guides, set out below, are not intended to be a revolving loan program plan as such, but general guidelines to help a grantee accomplish this.

#### **1. Goals and Objectives:**

Develop a clear set of goals and objectives, which articulate in quantifiable terms, the purpose of, and reason for the revolving loan program. The purpose of the RLF would reflect the economic conditions and opportunities in the community that the RLF is expected to address. The goals and objectives established should serve as a basis for an organizational strategy and operating plan for the reuse of program income.

2. Eligible Applicants:

Establish criteria for identifying eligible applicants for the revolving loan program. Limited revolving loan resources may necessitate targeting of loans. Targeting of loans is a process that identifies areas of need. Needs might include targeting a specific geographic area of discrimination in lending; targeting existing businesses versus start-up businesses; addressing specific industries affected by lending patterns; addressing discrimination against women and minorities in lending.

3. Eligible and Ineligible Activities:

Develop standards for funding eligible activities, and show how they relate to the community's problems or needs and to the goals and objectives of the revolving loan program. Eligible activities must meet all tests for CDBG eligibility and a national CDBG objective.

4. Eligible Type of Loans:

Determine which type of loans are to be funded, e.g., amortized loans, deferred loans, 100% financing versus public or private partnerships, permanent versus construction loans, direct versus guaranteed, etc., and whether they will be made for the fixed asset family and/or for working capital.

5. Financing Policies:

Establish the minimum and maximum dollar amount of loans; include their terms and rates of interest for repayment. Include policies for restructuring loans or modifying terms, along with any other financing policies required. Quantify acceptable levels of risk. Matching sources and uses of funds is key to the ability to "revolve" funds.

6. Loan Review Committee:

Establish a loan review committee whose purpose is to make recommendations to the governing body. (Ideally, its membership would also include private sector finance professionals.) The committee's membership, role and responsibilities should be specified.

7. Loan Review, Selection and Approval:

Create a process for advertising the revolving loan program. Establish criteria and procedures for review and approval of loan applications. This should include the following:

- a. Provide justification of applicant's need.
- b. Define beneficiaries.

- c. Describe what will be used for necessary or appropriate documentation (certifications, etc.)
  - d. Describe the type of credit and financial analyses that will be performed on loan requests.
  - e. Describe the manner and time frame for disbursement of loan proceeds
  - f. Indicate which loan review and/or approval functions will be delegated to staff and/or the Loan Review Committee; describe which functions will be retained by the governing body.
8. **Loan Security:**
- Secure each amortized real property loan by trust indenture, and secure each deferred real property loan, that provides a contingency for repayment, by lien.
- Collateralize, to the extent practical, each business loan. The amount and quality of the collateral should be a matter of policy. The collateral pledged should be confirmed and documented as to type, quality, location, ownership and existing encumbrances.
- Require each borrower, where appropriate, to protect the grantee against insurable risks. A copy of each policy underwritten should be filed with the grantee.
9. **Loan Servicing:**
- Establish policies and procedures for loan repayments, loan delinquencies, loan defaults and loan monitoring, and designate who will be responsible for carrying out each of these vital functions.
10. **Recapitalization Strategy:**
- Develop a recapitalization strategy and identify which other financial resources are intended to be used.
11. **Title I Compliance Certifications:**
- Describe the process that will be used to assure that all loan recipients will comply with the appropriate Title I Compliance requirements.

#### **D. GENERAL ACCOUNTING REQUIREMENTS**

##### **1. ACCOUNTING STANDARDS**

A Grantee must demonstrate that the program income received is used solely for authorized purposes; a requirement that is best met through fund accounting. The required accounting system is the Montana BARS System for Counties, Cities and Towns.

BARS is a fund accounting system that meets all fund accounting requirements, including generally accepted accounting principles.

Fund accounting is a control device that segregates resources and ensures that the segregated resources are used only for their intended purposes.

## **2. FUND TYPE TO BE UTILIZED**

There are a number of funds and account groups that are required to be utilized in a fund accounting system, each depending on the financial situation. However, a CDBG grantee retaining program income need only be concerned with revolving loan funds, a subcategory of special revenue funds.

A grantee is authorized to maintain a separate RLF for housing activities and a separate RLF for economic development activities. Or, a grantee may opt to utilize a single RLF for all such activities.

However, it is recommended that a grantee maintain separate RLF's for eligible CDBG activities covered under 1992 and prior contracts, and separate RLF's for eligible CDBG activities covered under 1993 and future contracts.

## **3. BASIS OF ACCOUNTING**

The basis of accounting is a term used to refer to when revenues and expenditures, and related assets and liabilities, are recognized in the accounts and reported in the financial statements.

There are three fundamental accounting bases used to account for transactions; the cash basis, the accrual basis, and the modified accrual basis. The basis for revolving loan funds is the modified accrual basis.

Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available to finance expenditures of the current period. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred.

## **4. FUND AND ACCOUNT STRUCTURE**

The chart of accounts is the framework around which the accounting system is built. A chart of accounts is merely a numerical coding system that permits identification of individual accounts. It also simplifies the referencing of entries on documents and records and helps reflect account relationships.

The coding system that follows is consistent with RLF needs and is made up of fund identifiers and balance sheet, revenue and expenditure accounts.

## 1. Fund Code Identifiers

Fund code identifiers are the numerical indicators assigned to identify independent fiscal and accounting entities with self balancing sets of accounts, consisting of assets, liabilities and fund equities.

Applicable fund Code Identifiers: Fund No.

- For the years of 1992 and prior:

Combined RLF	.....	2392
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Housing RLF	.....	2394
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Economic Development RLF	.....	2395
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- For the years of 1993 and future:

Combined RLF	.....	2396
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Housing RLF	.....	2397
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Economic Development RLF	.....	2398
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## 2. Balance Sheet Accounts

Balance sheet accounts are those accounts that remain open after the books have been closed at year-end, the balances of which are carried forward into the succeeding year. When properly classified, these accounts form the basis for the balance sheet. Simply, the balance sheet purports to exhibit what a fund owns in the form of assets and what a fund owes in the form of liabilities. The net result of assets minus liabilities is equity.

Applicable general ledger balance sheet accounts:

Account Number	Account Name
101000	Cash
125000	Loans Receivable
172000	Revenue Control
201100	Warrants Payable
202100	Accounts Payable
204000	Contracts/Loans Pay. (Short term)
235100	Contracts/Loans Pay. (Long term)
242000	Expenditure Control
271000	Fund Balance

### 3. Revenue Accounts

Revenue accounts should be classified by source. The primary function of revenue accounts is to provide a means for verifying the receipt of revenues and to furnish information for preparing financial reports. Revenue accounts are closed out at year-end.

Applicable revenue accounts:

Account Number	Account Name
362000	Miscellaneous
371XXX	Investment Earnings
373010	Interest on Loans
373020	Principal on Loans
381XXX	Other Financing Sources

### 4. Expenditure Accounts

Expenditures should be classified by function, activity and object. The function classification provides information on the overall purposes or objectives of expenditures. The activity classification provides information according to the specific types of work performed by the organizational unit. The object of expenditure relates to the article purchased or service obtained. The primary functions of expenditure accounts are to provide proper control and furnish information for preparing financial reports. Expenditure accounts are closed out at year-end.

- Applicable Housing expenditure accounts:

470200	Housing Rehabilitation
470210	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470220-86X	Acquisition of Property
470240-86X	Rehabilitation Loans
470260-86X	Planning and Management
470270-86X	Clearing and Demolition
470280-86X	Code Enforcement

- Applicable Economic Development expenditure accounts:

470300	Economic Development
470310	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470320-86X	Economic Development Loans
470330-86X	Other

## 5. BASIC ACCOUNTING RECORDS

The books of accounts maintained are assumed to be on the double entry system. A double entry system is defined as a system, which requires for every entry made to the debit side of an account(s), an entry for a corresponding amount(s) be made to the credit side of another account(s).

The records required to account for program income funds are of two types, the books of original entry and the books of final entry. The books of original entry are those records in which transactions are recorded for the first time, e.g., the Cash Receipts Journal, the Cash Disbursement Journal and the General Journal Voucher. The books of final entry are the summary records in which accounting information is accumulated for financial reporting, e.g., the General Ledger. In an automated environment, however, a single transaction may be recorded simultaneously in the books of original entry and the books of final entry.

The books of original and final entry are described below:

- Cash Receipts Journal

All cash received is recorded in this book of original entry.

- Cash Disbursement Journal

All cash disbursed is recorded in this book of original entry.

- General Journal Voucher (GJV)

All transactions in place of, or supplemental to, the regular journals are recorded in this book of original entry. The voucher is a substitute for maintaining a formal general journal.

- General Ledger

The general ledger is the book of final entry, where all summarized journal transactions are posted. It contains the accounts necessary to present after closing, the financial representations of the organizational unit.

It is virtually impossible to discuss the books of original entry without discussing their relationship to source documents. Specifically, source documents are documents upon which evidence of accounting transactions are initially recorded. They may be internally or externally created and are used as the source entry and support to the various books of original entry. Examples of source documents are general receipts, purchase orders, invoices, claims, payroll time records, contracts, etc.

## 6. SPECIAL ACCOUNTING PROVISIONS

### Treatment of Revolving Loans

Authoritative literature on accounting for revolving loans is skimpy at best. The December, 1989 GAAFR Review, the last known up-date on the subject, published by the Government Finance Officers Association, discusses the pros and cons of several possible treatments.

One common approach to accounting for such revolving loans is to report revenues and expenditures in a special revenue fund. The repayments of loan principal are reported as revenue. Similarly, the disbursement of loan proceeds is reported as expenditures. This approach produces a continuing cycle of revenue and expenditure as the loan "revolves." For financial purposes, receivables are reported on the balance sheet with a corresponding amount of deferred revenue. Governments often favor this approach because it allows them to report cash flows related to loans in the operating statement of the same fund. Unfortunately, it is questionable whether it is appropriate to report a loan as expenditures and the repayment of principal as revenues.

An alternative approach would be to report the disbursement of loan proceeds and the repayments of loan principal as balance sheet transactions i.e., the exchange of one type of asset (cash) for another (receivables). Accordingly, a grantee may wish to use an enterprise fund to account for revolving loans. Because they are balance sheet transactions, the disbursement of loan proceeds and the collection of principal repayments would not be reflected in the operations of an enterprise fund. Unlike a special revenue fund, an enterprise fund is required to present a statement of cash flows.

Until authoritative literature on accounting for revolving loans is more definitive, the use of a special revenue fund, because of its simplicity, is favored over the use of an enterprise fund.

### Loan Subsidiary Records

In most cases, provided they are kept up-dated, each loan amortization schedule will serve, and may be used, as the individual loan receivable record. When an amortization

schedule is not generated, then an individual subsidiary account must be maintained for each loan.

#### Uncollectible Loans

a. Real Property Loans:

Given that all real property loans will be secured by trust indentures, it would seem unnecessary to make any allowance for doubtful loans. However, any such decision will need to be based on current loan-loss experience and/or existing market conditions.

b. Business Loans:

Some business loans, on the other hand, will invariably become uncollectible, whether collateralized or uncollateralized. If it is probable that a loan has been impaired, then the estimated loss should be expensed as a bad debt.

If a loan was collateralized and some recovery made, then this recovered amount should be netted against the loan loss.

There are two methods in use for dealing with losses from uncollectible loans receivable. The direct write-off method, and the allowance method. Either method is acceptable, but the allowance method is the preferred method. (For a complete discussion, including illustrative accounting entries, please refer to Pages D-11 and D-12 of the (LGS) Accounting Policies.)

#### 7. FINANCIAL REPORTING REQUIREMENTS

The annual financial statements prepared by a grantee must present fairly its financial position and results of operations in accordance with generally accepted accounting principles, and they must include all revolving loan funds in the following type of statements:

- The Combined and Combining Balance Sheets - All Fund Types;
- The Combined Statements of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types;
- The Combined and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - All Governmental Fund Types.

#### E. INTERNAL CONTROL

Internal control is recognized as fundamental and indispensable to all types of organizations. It can be defined in terms of two elements, administrative controls and

accounting controls. Administrative controls are designed to encourage adherence to prescribed policies and accounting controls, which deal with safeguarding assets.

Both administrative and accounting controls are implemented primarily through -

- Developing specific written procedures that specify how activities and functions will be conducted;
- Segregating key control duties and responsibilities among different employees: and
- Monitoring these procedures, duties and responsibilities to ensure conformance over time.

A grantee is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by a grantee are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal control are to provide a grantee with reasonable, but not absolute, assurance that assets are safeguarded against loss and that transactions are executed in accordance with a grantee's authorization.

In the financial operation of revolving loan funds, it is presumed that, as a minimum, a grantee will see that the work is properly segregated so that no one person is allowed to perform a complete cycle of operations. Where segregation of duties is not always possible because of staffing limitations, management should function in an oversight capacity. In such an event, the oversight provided should be as compensating as circumstances permit.

Internal control may not eliminate the probability that errors or irregularities will occur. However, the probability of their occurrence can be reduced if a grantee implements the proper administrative and accounting control policies and procedures.

## **F. ILLUSTRATIVE ACCOUNTING ENTRIES**

The following illustrative account entries represent those most commonly associated with revolving loan funds on a recurring basis. These illustrations are not intended to be all-inclusive, but they are intended to exhibit a cross-section of pertinent entries, without undue repetition. (Note: "Sub" is the abbreviation for subsidiary. It is the account detail, which supports the general ledger control account).

### **HOUSING RLF**

- a. A grantee agreed to loan Mr. & Mrs. Smith \$99,000 to refurbish a multiple housing unit and expended, on behalf of the Smith's, \$99,000 on the unit.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$99,000		
2394-470240-86X	Rehab. Loans		\$99,000	
2394-101000	Cash			\$99,000

(To record payment for the multiple housing unit. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2394-125000	Loans Receivable	\$99,000	
2394-223800	Deferred Revenue		\$99,000

(To record the loan receivable. This entry requires the preparation of a GJV.)  
Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information would be posted to accounts in the General Ledger.

- b. Mr. & Mrs. Smith made the first payment of principal and interest on their housing loan. The amortized loan is for 20 years at the interest rate of 5 percent per annum. The amount due, according to the amortization schedule, is \$395 for principal and \$475 for interest, a total of \$870.

Related Accounting entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101000	Cash	\$870		
2394-172000	Revenue Control		\$870	
2394-373010	Interest			\$475
2394-373020	Principal			395

(To record receipt of housing loan payment. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2394-223800	Deferred Revenue	\$395	
2394-125000	Loans Receivable		\$395

(To record the amount of principal paid by the Smith's on their housing loan. This entry requires the preparation of a GJV.)

Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the Smiths on their housing loan and later the information would be posted to accounts in the General Ledger.

The loan amortization schedule would serve as the subsidiary loan receivable record.

- c. The housing RLF generated and received \$1,000 in interest earnings.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101100	Cash	\$1,000		
2394-172000	Revenue Control		\$1,000	
2394-371XXX	Interest			\$1,000

(To record interest earnings. Ordinarily, this entry would be recorded as part of the cash receipt process.)

Related Accounting Procedures:

A receipt document would be issued for the interest earnings and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

- d. The grantee expended \$800 for personal services, \$100 for supplies, \$50 for printing and \$50 for advertising, all chargeable to the administration activity.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$1,000		
2394-470210-100	Pers Services		\$800	
2394-470210-200	Supplies		100	
2394-470210-320	Printing		50	
2394-470210-330	Advertising		50	
2394-101000	Cash			\$1,000

(To record payment of administration expenses. Ordinarily, this entry would be recorded as part of the cash disbursement process - most likely through a claims fund.)

Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

5. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding housing transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2394-172000	Revenue Control	\$ 1,870	
2394-271000	Fund Balance	98,130	
2394-242000	Expend. Control		\$100,000

(To record year-end closing.)

Related Accounting Procedures:

A general journal Voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

### **ECONOMIC DEVELOPMENT RLF**

- a. A grantee loaned the XYZ company \$25,000 on a six month, uncollateralized, 6 percent note.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2398-242000	Expend. Control	\$25,000		
2398-470320-86X	Ec. Del. Loan		\$25,000	
2398-101100	Cash			\$25,000

(To record loan made. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2398-125000	Loan Receivable	\$25,000	
2398-223800	Deferred Revenue		\$25,000

(To record loan receivable. This entry requires the preparation of a general journal voucher.)

#### Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information posted to accounts in the General Ledger.

- b. The XYZ Company repaid the 6 percent business loan in full, six months after it was made. The repayment totaled \$25,750 ( $\$25,000 \times .06 / 2 = \$750 + \$25,000$ .)

#### Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2398-101100	Cash	\$25,750		
2398-172000	Revenue Control		\$25,750	
2398-37301	Interest			\$750
2398-373020	Principal			\$25,000

(To record receipt of business loan payment in full. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2398-223800	Deferred Revenue	\$25,000	
2398-125000	Loans Receivable		\$25,000

(To record the amount of principal paid on the XYZ Company's business loan. This entry requires the preparation of a general journal voucher.)

#### Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the XYZ Company on their business loan and later the information would be posted to accounts in the General Ledger.

3. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding economic development transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2398-172000	Revenue Control	\$25,750	
2398-242000	Expend. Control	\$25,000	
2398-271000	Fund Balance	\$750	

(To record year-end closing.)

Related Accounting Procedures:

A general journal voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

## **G. RECORDS RETENTION**

The type of documents, records and reports that follow must be retained for three years. However, in the event of litigation, claims, audit or other action, such documents, records and reports must be retained until completion of the action or regular time period, whichever is later.

### 1. Documents

- a. Receipts
- b. Purchase Orders
- c. Invoices/Statements
- d. Claims
- e. Checks
- f. Warrants
- g. Budgets
- h. Contracts/Agreements

### 2. Records

- a. Accounting
- b. Budgetary
- c. Payroll
- d. Time Sheets
- e. Bank Statements
- f. Minutes, Loan Review Committee

### 3. Reports

- a. Financial Statements - Monthly and Annual
- b. Budgetary - Monthly and Annual
- c. Payroll
- d. Annual Program Income Activity Reports
- e. Annual Statistical Loan Reports
- f. Semi-Annual Loan Portfolio Data Reports (economic dev. activity only)

### 4. Other

- a. Loan Applications
- b. Loan Review and Selection Documentation
- c. Title I Compliance Certifications

These documents, records and reports are subject to all applicable laws and requirements relating to public access, privacy and confidentiality.

## H. PROGRAM INCOME TRACKING

Because the MDOC has ultimate responsibility for the program income retained and used at the local level, it is required to ensure that such program income is used in a manner consistent with CDBG requirements. The MDOC will institute a grantee reporting process. This will require that each local government report the total program income fund's activity for the fiscal year July 1 to June 30. Reports will be due August 15 of each year. This applies to projects funded that have been closed out and/or are receiving loan repayments on a project that is not open. HUD requires that states continue to report local government's program income balance after a project has been closed out.

For local government grantees that have economic development CDBG projects, an additional report, the Loan Portfolio Data Report, must be submitted once a year as of December 31 with the Business Resources Division. This report compiles loan information for all primary and secondary loans derived from the use of CDBG funds.

## I. MDOC REPORTING REQUIREMENTS

The Loan Portfolio Data Report will show the source and lending activity of all program income retained and used by a grantee. For reporting convenience, the MDOC has enclosed a sample Loan Portfolio Data Report, **Appendix A**.

For housing revolving loan funds, please refer to **Appendix B** for the program income reporting form. Program income activity must be reported separately for the contract years of 1992 and prior and for the contract years of 1993 and later.

The compliance certification for this report must be signed by the appropriate local official. In so doing, the grantee certifies that program income was expended for eligible CDBG activities and/or the requirements of Title I.

The Loan Portfolio Data Report or the Annual Program Income Report will provide the MDOC with basic information on the condition of a grantee's revolving loan portfolio for analytical review.

#### **J. NON - GRANTEE ADMINISTRATION**

A grantee that has an approved program income plan may contract with a non-profit organization or bank to administer its revolving loan funds, subject to the MDOC approval. The organization selected must be a community based non-profit organization that has legal authority to make loans. Administration means accepting and carrying out responsibility for the day-to-day functions of RLF's.

A written agreement must exist between a grantee and the RLF administrator. The agreement must remain in effect during any period that the administrator has responsibility for program income activity. The minimum provisions that must be included in the agreement are a statement of work to be performed; records and reports to be maintained; requirements for how program income is to be managed; applicability of Federal Circulars and other such requirements; provision for termination of the agreement and a policy on reversion of assets at termination.

A grantee must receive an annual audit report or a single audit report from the administering organization. Copies of such report(s) must also be submitted to the MDOC.

### **III. AUDIT REQUIREMENTS**

#### **A. STATE LAWS AND REGULATIONS**

1. Sections 2-7-501 through 2-7-522 of Montana Code Annotated (MCA) set forth the requirements for the audit of political subdivisions and is called the Montana Single Audit Act.
2. Title 2, Chapter 4, Subchapter 4 of the Administrative Rules of Montana (ARM) sets forth the regulations of the Montana Single Audit Act for political subdivisions.
3. Montana Department of Administration Local Government Services Compliance Supplement for Audits of Montana Local Government Entities sets forth some of the legal compliance matters which are important to financial operations of political subdivisions.

#### **B. FEDERAL - LAWS AND REGULATIONS**

1. The Single Audit Act of 1984 (31 U.S.C. 7501-7507) as amended by the Single Audit Act of 1996 (P.L. 104-156) is the principal federal audit statute. It imposes a set of audit requirements (outlined in this chapter) on recipients of federal grant funds, including CDBG funds.
2. OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), as revised June 24, 1997, sets forth the regulations issued by the federal Office of Management and Budget (OMB) to implement the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996.
3. OMB Circular A-133 Compliance Supplement, April, 1999 sets forth the principal compliance requirements for the largest federal aid programs, including CDBG.
4. Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments, 24 CFR Part 85. This part of the CFR (Code of Federal Regulations) establishes uniform administrative rules for federal grants and cooperative agreements and sub-awards to state, local and Indian tribal governments.
5. Government Auditing Standards, 1994 Revision (referred to as the "Yellow Book") contains generally accepted government auditing standards applicable to the grantee. Issued by the U.S. Comptroller General, these standards incorporate generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants (AICPA).

## **C. STATE AUDIT REQUIREMENTS**

### **1. Audit Requirements Found in Montana Law -- Section 2-7-503(3), MCA.**

Section 2-7-503(3) of the Montana Single Audit Act requires that the governing body or managing or executive officer of each local government entity receiving revenues or financial assistance **in excess of \$200,000** during the reporting period (1 year) must provide for an **organization-wide audit** to be conducted **at least every 2 years**. This organization-wide audit must cover the entity's two preceding fiscal years. The audit must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be completed and submitted to MDOC for review within 1 year from the close of the last fiscal year covered by the audit.

### **2. The purpose of the Montana Single Audit Act -- Title 2, Chapter 4, Sub-Chapter 4, ARM.**

The purpose of the Montana Single Audit Act is to:

- a. Improve the financial management of local government entities with respect to federal, state, and local financial assistance.
- b. Establish uniform requirements for financial reports and audits of local government entities.
- c. Ensure constituent interests by determining that compliance with all appropriate statutes and regulations is accomplished.
- d. Ensure that the financial condition and operations of the local government entities are reasonably conducted and reported.
- e. Ensure that the stewardship of local government entities is conducted in a manner to preserve and protect the public trust;
- f. Ensure that local government entities accomplish, with economy and efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public; and
- g. Promote the efficient and effective use of audit resources.

### **3. Audit and Audit Report Standards**

- a. All audits performed under section 2-7-503, MCA, must be conducted in accordance with Government Auditing Standards, issued by the U.S. Comptroller General that are applicable to financial audits. See ARM 2.4.411(3). Those standards incorporate generally accepted auditing

- standards as adopted by the American Institute of Certified Public Accountants.
- b. Audits must conform to the requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, (P.L. 98-502) and the OMB Circular A-133. See ARM 8.94.4111(4).
  - c. All audit reports shall comply with the reporting standards for financial audits prescribed in Government Auditing Standards as established by the U.S. Comptroller General, which incorporate the standards of reporting for financial audits prescribed by the American Institute of Certified Public Accountants. See ARM 8.94.4111(3).
  - d. For audits conducted under the provisions of the OMB Circular A-133, the audit reports shall comply with the reporting requirements of that circular.

#### **D. FEDERAL AUDIT REQUIREMENTS**

Local governments that expend **\$500,000 or more in a fiscal year in federal awards** are subject to the federal Single Audit Act and OMB Circular A-133 and therefore must have a single or program specific audit.

##### **General Scope of An OMB Circular A-133 Audit**

OMB Circular A-133 audits must be conducted by an independent auditor in accordance with Government Auditing Standards. They must cover the entire operations of the local government or (if state law is not applied) -- at the option of the local government, the audit may include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered federal awards during the fiscal year, provided that each audit encompasses the financial statements and the schedule of expenditures of federal awards for each such department, agency, and organizational unit.

The audit must cover the following areas:

- a. Financial Statements. The auditor must determine whether the financial statements of the local governments are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP).

The auditor must also determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the local government's financial statements taken as a whole.

- b. Internal Control Systems. The auditor must perform procedures to gain an understanding of internal control over compliance for each major program, assess the control risk, perform tests of those controls unless the controls are deemed to be ineffective. The auditor must perform procedures to obtain

an understanding of internal control over federal programs that is sufficient to plan the audit to support a low assessed level of control risk for each major program.

- c. **Compliance.** The auditor must determine whether the local government complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on each of its major programs.

OMB Circular A-133 instructs auditors to make a special effort to detect possible fraud, waste, and mismanagement. In particular, audits should include a review of the local government's:

1. internal accounting and administrative control system;
2. drawdown practices;
3. use of project income;
4. direct costs charged to the CDBG program;
5. indirect cost allocation plans and indirect costs charged to the CDBG program, if applicable;
6. procurement practices;
7. property management practices; and
8. procedures and documentation supporting compliance with applicable laws, regulations, contracts and grant agreements.

The auditor may submit a preliminary report to the governing body for its review and comment. Local officials may work closely with the auditor to resolve any potential findings before the issuance of the final audit report.

If the auditor becomes aware of illegal acts or other irregularities, Section 2-7-515, MCA, and the Single Audit Act require that prompt notice be given to the chief elected official above the level of involvement. **The grant recipient, in turn, must promptly notify Montana Department of Administration of the illegal acts and irregularities and of proceedings instituted or to be instituted relating to the violations of law and nonperformance of duty.**

"Illegal acts and irregularities" include such matters as conflicts of interest, falsification of records or reports, and misappropriations of funds or other assets. The grantee should also inform the county, city or town attorney, as appropriate. If the county, city or town attorney fails or refuses to prosecute the case, the Montana

Department of Administration may employ an attorney to prosecute the case at the expense of the respective governmental entity.

Four copies of the audit must be forwarded to the Local Government Services (LGS) Bureau, Audit Review Section, Accounting and Management Support Division, Montana Department of Administration. A copy of the audit report should be placed in the local project closeout file. Section 2-7-515, MCA, covers actions to be taken by governing bodies upon receipt of the audit report.

If there are audit findings, the grantee must, within 30 days of receipt of the audit report, prepare a corrective action plan outlining how the findings will be resolved and submit it to LGS.

Note that OMB Circular A-133 requires that at the completion of the audit, the auditee shall prepare a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required then the corrective action plan shall include an explanation and give specific reasons why no corrective action is necessary. LGS will notify the auditor whether the responses are sufficient. All audit findings must be resolved within six months of the issuance of the final audit report.

OMB Circular A-133 requires that the recipient submit copies of the audit reports and description of data collection form to the federal department or agency that provided federal assistance funds to the recipient (called the "cognizant agency"). The cognizant agency for Montana CDBG grant recipients is the Montana Department of Commerce, Audit Review Section, Local Government Services. Audit reports for other federal agencies that have provided federal financial assistance during the term of the CDBG project must be sent to the appropriate federal agencies. The reports shall be sent within 30 days after the completion of the audit, but no later than nine months after the end of the audit period. For fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within 30 days after receipt of the auditor's reports, or 13 months after the end of the audit period.

The auditee shall submit a data collection form that states whether the audit was completed in accordance with OMB Circular A-133, and provides information about the auditee, its Federal programs, and the results of the audit.

**Grantees with more than \$500,000 of combined federal financial expenditures in any one year during the term of their project must, in addition, send one copy of the audit report, within 30 days after issuance, to the central clearinghouse designated by the federal Office of Management and Budget. The address for the clearinghouse for Montana CDBG grant recipients is indicated below:**

**Federal Audit Clearinghouse  
Bureau of the Census  
1201 E. 10th Street  
Jeffersonville, Indiana 47132**

## APPENDIX A LOAN PORTFOLIO DATA (LPD) FORM

Attached for your use is a copy of the CDBG-ED "Loan Portfolio Data" Form. The U.S. Department of Housing and Urban Development (HUD) requires the Montana Department of Commerce (MDOC) to track CDBG-ED assisted loan businesses. Due to imminent changes in the CDBG-ED program mandated by HUD, the MDOC needs to track primary and secondary loan activities generated from the above awards, in order to report program performance measurements for the CDBG-ED program. This information also enables the Department to better provide technical assistance to local governments and local development organizations on community development objectives.

Grantee communities may use the LPD form, or its equivalent, to file CDBG-ED funded loan information to update our data base system on an annual basis, as of the end of each December. **The reports are due no later than January 31 for the period ending December 31.**

**You may make copies of the enclosed forms for future LPD reporting.** Please submit a completed form, or its equivalent for each CDBG-ED assisted business. Send the form(s) to:

CDBG-ED Program  
Business Resources Division  
Montana Department of Commerce  
P.O. Box 200505  
Helena, MT 59620-0505

Please call (406) 841-2734 for additional information or assistance.

**MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT  
ECONOMIC DEVELOPMENT (CDBG-ED) LOAN PROGRAM  
PRIMARY LOAN PORTFOLIO DATA**

Please copy sheets as needed for reporting each primary loan.

Report as of: \_\_\_\_\_ Contract Number: \_\_\_\_\_

Grantee (Local Government): \_\_\_\_\_

Business Name: \_\_\_\_\_

Business Location:

Business Contact: \_\_\_\_\_ Phone \_\_\_\_\_

Business Address: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Phone \_\_\_\_\_

**1) CDBG-ED Loan Information:**

Original Date of Loan: \_\_\_\_\_

Total Loan Amount (CDBG-ED ONLY) \$ \_\_\_\_\_

Monthly Payment Amount: \$ \_\_\_\_\_

Total Payments to Date: \$ \_\_\_\_\_

(Cumulative Interest Payments: \$ \_\_\_\_\_)

(Cumulative Principal Payments: \$ \_\_\_\_\_)

Interest Income Earned: \$ \_\_\_\_\_

Remaining Repayment Amount: \$ \_\_\_\_\_

Interest Rate: \_\_\_\_\_ %

Loan Term: \_\_\_\_\_ Years

Remaining Term: \_\_\_\_\_ Years

Security: \_\_\_\_\_

**2) Current on Loan Payments? Yes \_\_\_ or No \_\_\_**

If not current, explain: \_\_\_\_\_

**3) If Bankrupt, Total Recapture Amount: \$ \_\_\_\_\_**

**4) Jobs: # Created: \_\_\_\_\_ # Retained: \_\_\_\_\_**

# LMI Created: \_\_\_\_\_ # LMI Retained: \_\_\_\_\_

**5) Further Leverage/Spin-off Activities, directly related to this project, if known:**

**6) Any Secondary Loan Activity to Date? Yes \_\_\_ or No \_\_\_ (If yes, fill out next page.)**

## SECONDARY LOAN ACTIVITY

Must be reported throughout life of all secondary loans generated from Program Income. Please copy sheets as necessary for reporting each secondary loan.

LOAN # \_\_\_\_\_

Original Local Government Grantee: \_\_\_\_\_

Primary Loan Contract Number: \_\_\_\_\_

Primary Loan Business Name: \_\_\_\_\_

Secondary Loan Business Name: \_\_\_\_\_

Secondary Business Address: \_\_\_\_\_  
\_\_\_\_\_

Purpose of Loan: \_\_\_\_\_

CDBG-ED Eligible Activity? Yes        or No        (See CDBG-ED Program Brochure)

**1) CDBG-ED Loan Information:**

Date of Secondary Loan: \_\_\_\_\_ Total Loan Amount: \$ \_\_\_\_\_

Monthly Payment Amount: \$ \_\_\_\_\_ Total Payments to Date: \$ \_\_\_\_\_

Remaining Repayment Amount: \$ \_\_\_\_\_

Interest Rate:        %                      Loan Term:        Years

Remaining Term:        Years

Security: \_\_\_\_\_

**2) Current on Loan Payments?** Yes        or No       

**3) Jobs:** # Created:                             # Retained:       

# LMI Created:                             # LMI Retained:       

Comments:

## LOAN PORTFOLIO DATA FORM INSTRUCTIONS

Report as of: (December 31 of each year) Contract # (primary loan contract #)

Grantee: (Grantee and Administering Entity, if applicable)

Business Name: (Name of the business assisted)

Business Location: (Town or city business is located in)

Business Contact: (Name of contact person for the business) Phone (their phone #)

Business Address: (Self-explanatory)

Prepared by: (Name of person & name of organization preparing this form) Phone (their phone #)

**1) CDBG-ED Loan Information:**

Original Date of Loan: (Contract award date)

Total CDBG Loan Amount: \$ (Original loan amount)

Monthly Payment Amount: \$ (Self-explanatory)

Total Payments to Date: \$ (Total dollar amount of payments made by the business, to date)

(Cumulative Interest Payments: \$ (Total dollar amount of interest payments made by the business, to date).

(Cumulative Principal Payments: \$ (Total dollar amount of principal payments made by the business, to date))

Interest Income Earned: \$ (Total amount of interest earned by the locality or administering entity on loan repayments deposited into an interest earning account).

Remaining Repayment Amount: \$ (Self-explanatory)

Interest Rate: (per the loan agreement) %

Loan Term: (per the loan agreement) Years

Remaining Term: (per the loan agreement) Years

Security: (Brief description of loan security)

**2) Current on Loan Payments? Yes        or No        (Check "Yes" or "No")**

If not current, explain: (If the loan is not current, explain the circumstances, number of delinquent payments, and corrective actions being taken)

**3) If Bankruptcy, Total Recapture Amount?: \$ (Self-explanatory)**

**4) Jobs/Hiring Status: (Provide a brief description of the status of the jobs created or retained)**

5) **Further Leverage/Spin-off Activities, directly related to this project, if known:**  
(Provide a brief description of any known Leverage/Spin-off Activities, directly related to this project)

6) **Any Secondary Loan Activity to Date? Yes\_\_\_\_ or No\_\_\_\_**  
(Check "Yes" if any secondary relending of funds has occurred and fill out information  
on Secondary Loan Activity – 8.1.3.)

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MONTANA DEPARTMENT OF COMMERCE  
2002  
Business Resources Division

CDBG ADMINISTRATION MANUAL OCT.

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of \_\_\_\_\_, were expended for eligible CDBG activities, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

\_\_\_\_\_  
Chief Local Government Official

\_\_\_\_\_  
Date

## APPENDIX B

City/Town/County of

### Annual Program Income Report for Housing Receipts, Disbursements and Changes in Fund Balance(s) - All Funds

For the Fiscal year Ended June 30, 20

20 20

And Prior And Later

Totals

#### Receipts:

Interest	\$ 0	\$ 0	\$ 0	\$ 0
Principal		0		0
<hr/>				
<b>Total Annual Receipts</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

#### Disbursements:

Loans	\$ 0	\$	\$	0
Grants		0		0
<hr/>				
<b>Total Annual Disbursements</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

#### Transfers Out:

Drawdowns	\$ 0	\$	\$	0
General Government			0	0
<b>Total Annual Transfers</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Disbursements &amp; Transfers</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

Excess Receipts over Disb. & Trans.  
or

Excess Disb. & Trans. over Receipts  
Fund Balance(s) Beginning

Fund Balance(s) Ending

\$ 0 \$ 0 \$ 0 \$ 0

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of \_\_\_\_\_, were expended for eligible CDBG activities, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

Chief Local Government Official

\_\_\_\_\_  
Date



